

# Imprimis

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## Health Care in a Free Society

Paul Ryan

Member, U.S. House of Representatives



**PAUL RYAN** is in his sixth term as a member of Congress, representing Wisconsin's First Congressional District. He is the ranking member of the House Budget Committee and a senior member of the House Ways and Means Committee. A graduate of Miami University in Ohio, he and his wife Janna have three children and live in Janesville, Wisconsin.

*The following is adapted from a speech delivered on January 13, 2010, in Washington, D.C., at an event sponsored by Hillsdale College's Allan P. Kirby, Jr. Center for Constitutional Studies and Citizenship.*

**Someone once** said that before there was the New Deal, there was the Wisconsin Deal. In my home state, the University of Wisconsin was an early hotbed of progressivism, whose goal was to reorder society along lines other than those of the Constitution. The best known Wisconsin progressive in American politics was Robert LaFollette. "Fighting Bob," as he was called, was a Republican—as was Theodore Roosevelt, another early progressive. Today we tend to associate progressivism mostly with Democrats, and trace it back to Woodrow Wilson. But it had its roots in both parties.

The social and political programs of the progressives came in on two great waves: the New Deal of the 1930s and the Great Society of the 1960s. Today, President Obama often invokes progressivism and hopes to generate its third great wave of public policy. In thinking about what this would mean, we need look no farther than the health care reform program he is promoting along with the leadership in Congress.

Let me say here at the beginning that even though survey after survey shows that 75 percent or more of Americans are satisfied with the quality of their health care, no one I know in Congress denies that health care reform is needed. Everyone understands that health care in our country has grown needlessly expensive, and that some who want coverage cannot afford it. The ongoing debate over health care, then, is not about whether there should be reform; it is about what the principle of that reform ought to be.

Under the terms of our Constitution, every individual has a right to care for their health, just as they have a right to eat. These rights are integral to our natural right to life—and it is government’s chief purpose to secure our natural rights. But the right to care for one’s health does not imply that government must provide health care, any more than our right to eat, in order to live, requires government to own the farms and raise the crops.

Government’s constitutional obligations in regard to protecting such rights are normally met by establishing the conditions for free markets—markets which historically provide an abundance of goods and services, at an affordable cost, for the largest number. When free markets seem to be failing to meet this goal—and I would argue that the delivery of health care today is an example of where this is the case—government, rather than seeking to supply the need itself, should look to see if its own interventions are the root of the problem, and should make adjustments to unleash competition and choice.

With good reason, the Constitution left the administration of public health—like that of most public goods—decentralized. If there is any doubt that control of health care services should not have been placed in the federal government, we need only look at the history of Medicare and Medicaid—a history in which fraud has proliferated despite all efforts to stop it and failure to control costs has become

a national nightmare. In 1966 the cost of Medicare to the taxpayers was about \$3 billion. The House Ways and Means Committee estimated that it would cost \$12 billion (adjusted for inflation) by 1990. The actual cost in 1990 was nearly nine times that—\$107 billion. By 2009 Medicare costs reached \$427 billion, with Medicaid boosting that by an additional \$255 billion. And this doesn’t take into account the Medicaid expansion in last year’s “stimulus.”

The health care reform bills that emerged from the House and the Senate late last year would only exacerbate this crisis. The federal takeover of health care that those bills represent would subsume approximately one-sixth of our national economy. Combined with spending at all levels, government would then control about 50 percent of total national production.

The good news is that we have a choice. There are three basic models for health care delivery that are available to us: (1) today’s business-government partnership or “crony capitalism” model, in which bureaucratized insurance companies monopolize the field in most states; (2) the progressive model promoted by the Obama administration and congressional leaders, in which federal bureaucrats tell us which services they will allow; and (3) the model consistent with our Constitution, in which health care providers compete in a free and transparent market, and in which individual consumers are in control.

We are urged today—out of

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[Latin]: in the first place

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compassion—to support the progressive model; but placing control of health care in the hands of government bureaucrats is not compassionate. Bureaucrats don't make decisions about health care according to personal need or preference; they ration resources according to a dollar-driven social calculus. Dr. Ezekiel Emanuel, one of the administration's point people on health care, advocates what he calls a “whole life system”—a system in which government makes treatment decisions for individuals using a statistical formula based on average life expectancy and “social usefulness.” In keeping with this, the plans that recently emerged from Congress have a Medicare board of unelected specialists whose job it would be to determine the program's treatment protocols as a method of limiting costs.

President Obama said in December: “If we don't pass [this health care reform legislation]...the federal government will go bankrupt, because Medicare and Medicaid are on a trajectory that are [sic] unsustainable....” On first hearing, this argument appears ludicrous: *We must stop the nation from going broke by enacting a program costing \$800 billion or more in its first decade alone?* On the other hand, if the President means what he says, there is only one way to achieve his stated goal under the new program: through deep and comprehensive government rationing of health care.

The idea that the government should make decisions about how long people should live and who should be denied care is something that Americans find repugnant. As is true of the supply of every service or product, the supply of health care is finite. But it is a mistake to conclude that government should ration it, rather than allowing individuals to order their needs and allocate their resources among competing options. Those who are sick, special needs patients, and seniors are the ones who will be most at risk when the government involves itself in these difficult choices—as government must, once it takes upon itself management of American health care.

**An audio version of *Imprimis* is available online at [hillsdale.edu/imprimis](http://hillsdale.edu/imprimis)**

The very idea of government-run health care conflicts with the American idea of a free society and the constitutional principles underlying it—the principles of individual rights and free markets. And from a practical perspective it makes no sense, given that our current health care system is the best in the world—even drawing patients from other advanced countries that have suffered by adopting the government-run model.

But if one begins with the idea that health care reform to reduce costs should be guided by the principles of economic and political liberty, what would such reform look like? Four changes to the current system come immediately to mind.

One, we should equalize the tax treatment of people paying for health care by ending the current discrimination against those who don't get health insurance from their jobs—in other words, everyone paying for health care should receive the same tax benefits.

Two, we need high-risk insurance pools in the states so that those with pre-existing conditions can obtain coverage that is not prohibitively expensive, and so that costs in non-high-risk pools are stabilized. To see the value of this, consider a pool of 200 people in which six have pre-existing heart disease or cancer. Rates for everyone will be through the roof. But if the six are placed in a high-risk pool and ensured coverage at an affordable rate, the risk profile of the larger pool is stabilized and coverage for the remaining 194 people is driven down.

Three, we need to unlock existing health care monopolies by letting people purchase health insurance across state lines—just as they do car insurance and other goods and services. This is a simple and obvious way to reduce costs.

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Four, we need to establish transparency in terms of costs and quality of health care. In Milwaukee, an MRI can cost between \$400 and \$4,000, and a bypass surgery between \$4,700 and \$100,000. Unless the consumer is able to compare prices and quality of services—and unless he has an incentive to base choices on that information, as he does in purchasing other goods and services—there is not really a free market. It would go a long way to solve our health care problems to recreate one.

These four measures would empower consumers and force providers—insurers, doctors, and hospitals—to compete against each other for business. This works in other sectors of our economy, and it will work with health care.

So why can’t we agree on them? The answer is that the current health care debate is not really about how we can most effectively bring down costs. It is a debate less about policy than about ideology. It is a debate over whether we should reform health care in a way compatible with our Constitution and our free society, or whether we should abandon our free market economic model for a full-fledged European-style social welfare state.

This, I believe, is the true goal of those

promoting government-run health care.

If we go down this path, creating entitlement after entitlement and promising benefits that can never be delivered, America will become like the European Union: a welfare state where most people pay few or no taxes while becoming dependent on government benefits; where tax reduction is impossible because more people have a stake in welfare than in producing wealth; where high unemployment is a way of life and the spirit of risk-taking is smothered by webs of regulation.

America today is not as far from this tipping point as we might think. While exact and precise measures cannot be made, there are estimates that in 2004, 20 percent of households in the U.S. were receiving about 75 percent of their income from the federal government, and that another 20 percent were receiving nearly 40 percent of their income from federal programs. All in all, about 60 percent of U.S. households were receiving more government benefits and services, measured in dollars, than they were paying back in taxes. It has also been estimated that President Obama’s first budget alone raises this level of “net dependency” to 70 percent.

Looked at in this way, I see health

care reform of the kind promoted by the Obama administration and congressional leaders as part of a crusade against the American idea. This is a dramatic charge, but the only alternative is that they are ignorant of the consequences of their proposed programs. The national health care exchange created by their legislation, together with its massive subsidies for middle-income earners, would represent the greatest expansion of the welfare state in our country in a generation—and possibly in history. According to recent analysis, the plan would provide subsidies that average a little less than 20 percent of the income of people earning up to 400 percent of the Federal Poverty Level. In other words, as many as 110 million Americans could claim this new entitlement within a few years of its implementation. In addition to the immediate massive increase in dependency this would bring on, the structure of the subsidies—whereby they fade out as income rises—would impose a marginal tax penalty that would act as a disincentive to work, increasing dependency even more.

And before I conclude, allow me to clear up a misperception about insurance exchanges: it makes absolutely no difference whether we have 50 state exchanges rather than a federal exchange, as long as the federal government is where the subsidies for consumers will be located. In other words, despite what some seem to believe, both the House and the Senate versions of health care reform set up a system in which, if you are eligible and you want a break on your insurance premium, it is the federal government that will provide it while telling you what kind of insurance you have to buy. In this sense, the idea of state exchanges instead of a federal exchange is a distinction without a difference.

\* \* \*

Americans take pride in self-government, which entails providing

for their own well-being and the well-being of their families in a free society. In exchange for this, the promoters of government-run health care would make them passive subjects, dependent on handouts and far more concerned about security than liberty. At the heart of the conflict over health care reform, as I said at the beginning, are two incompatible understandings of America: one is based on the principles of progressivism, and would place more and more aspects of our lives under the administration of unelected “experts” in federal bureaucracies; the other sees America as a society of free individuals under a Constitution that severely limits what the federal government can rightfully do.

We have seen many times over the past 100 years that the American people tend to be resistant to the progressive view of how we should reform our system of government—and I believe we are seeing this again today. Americans retain the Founders’ view that a government that seeks to go beyond its high but limited constitutional role of securing equal rights and establishing free markets is not progressive at all in the literal sense of that word—rather it is reactionary. Such a government seeks to privilege some Americans at the expense of others—which is precisely what the American Revolution was fought to prevent.

Americans understand that the problems facing our health care system today, real as they are, can be addressed without nationalizing one-sixth of the American economy and moving us past the tipping point toward a European-style social welfare state. They know that we can solve these problems while at the same time

remaining a free society and acting consistently with the principles that have made us the greatest and most prosperous nation on earth. It is our duty now as their representatives to come together and do so. ■



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#### DID YOU KNOW?

Hillsdale College President Larry P. Arnn recently gave a speech in Naples, Florida, on the topic, “Education, Self-Government, and Our Current Crisis.” The full talk, plus a question and answer session afterwards, can be viewed online at [hillsdale.edu](http://hillsdale.edu), under “Headlines” in the bottom right corner.